FROM AD TO AISLE:
THE CPG ADVERTISING BENCHMARK REPORT

Nielsen Catalina SOLUTIONS

SEPTEMBER 2016

HOW DO WE MEASURE INCREMENTAL SALES?

01. Connect the media people consume with the products they buy.

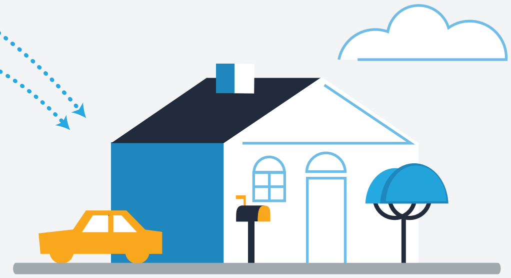
Exposure Data

TV: Nielsen and set-top-box data
Digital & Mobile: Nielsen Online and independent online portals & publishers
Magazine publishers

Buy Data

Catalina Frequent Shopper Card Data,
Nielsen Homescan All-Outlet Data

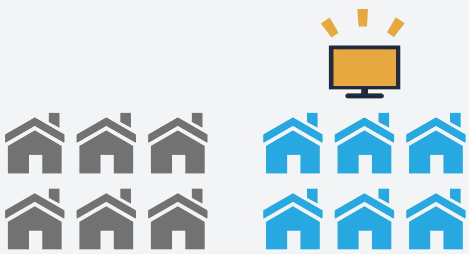
Anonymous Single Source Households



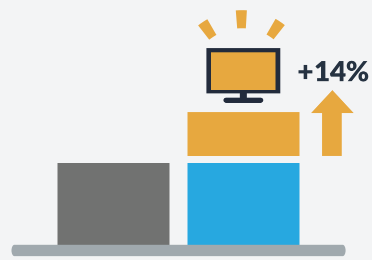
02. Measure the Sales Impact of Advertising

Design Test

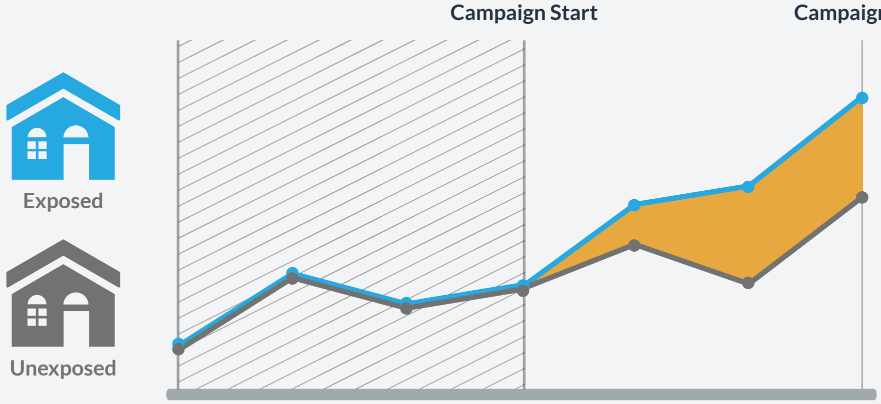
Match Exposed & Unexposed Households on Hundreds of Variables to Isolate Ad Impact



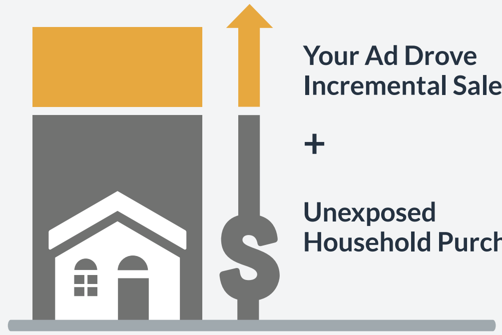
Measure Sales Lifts of the Nearly Identical Household Groups



03. The Result: Incremental Sales



Exposed and Unexposed account for 52 weeks of purchase history and demographics



Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

INTRODUCTION

Marketers are constantly challenged to answer questions about advertising response and differences between media. What sales and return should I expect from my advertising? How do different media platforms compare? And how is the return impacted by the cost of media? Does the creative type or category affect the results? Is return affected by brand characteristics?

To answer these questions, Nielsen Catalina Solutions (NCS) gathered a diverse team of industry experts from CBS Corporation, Meredith Corporation, Sequent Partners and others, with support and advice from The Advertising Research Foundation, to help find answers in our database. For over 10 years, NCS has been measuring the effect of advertising on in-store sales, integrating retail purchase data with media exposure data. This has resulted in an extensive library of advertising benchmarks from more than 450 brands across an array of consumer packaged goods (CPG) categories.

For these benchmarks, we used a subset of 1,400 studies from the library to create an apples-to-apples comparison to determine the return on advertising spend (ROAS) for each type of media. We were also able to determine sales productivity metrics that remove media costs from the equation, and we now understand more about what factors drive the results.

With this information, marketers can understand how their advertising compares to other campaigns for the same medium or in the same product category or for similar types of brands. In the CPG market, with razor thin margins, the single penny that separates results between media is comparable to dollars in other industries. For example, retailers that sell CPG products are not included in these benchmarks because the retail industry typically sees significantly higher ROAS and sales lifts since the dynamics are very different than CPG.

Not only will this report help marketers understand how their brand type impacts their return, but it can also guide the multitude of decisions that affect a campaign such as creative, marketing mix and budgets. It's never been more important to know your own numbers, how they stack up, and how they can be improved.

PROJECT TEAM

Leslie Wood, PhD, Project Lead and Chief Research Officer, Nielsen Catalina Solutions

David Poltrack, Chief Research Officer, CBS Corporation and President, CBS Vision, CBS

Britta Cleveland, Senior Vice President, Research, Meredith Corporation

Jim Spaeth, PhD, Partner, Sequent Partners

Alice K. Sylvester, Partner, Sequent Partners

BEHIND THE NUMBERS

- Over 1,400 complete CPG studies from 2004 through Q4 2015
- All studies reflect actual media costs
- 450+ brands across multiple CPG categories
- All reported metrics have at least 10 complete studies
- Creative quality, a primary driver of all lift measures, was not controlled for in the study
- Each media has a different mix of years, of brands, categories and budgets

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

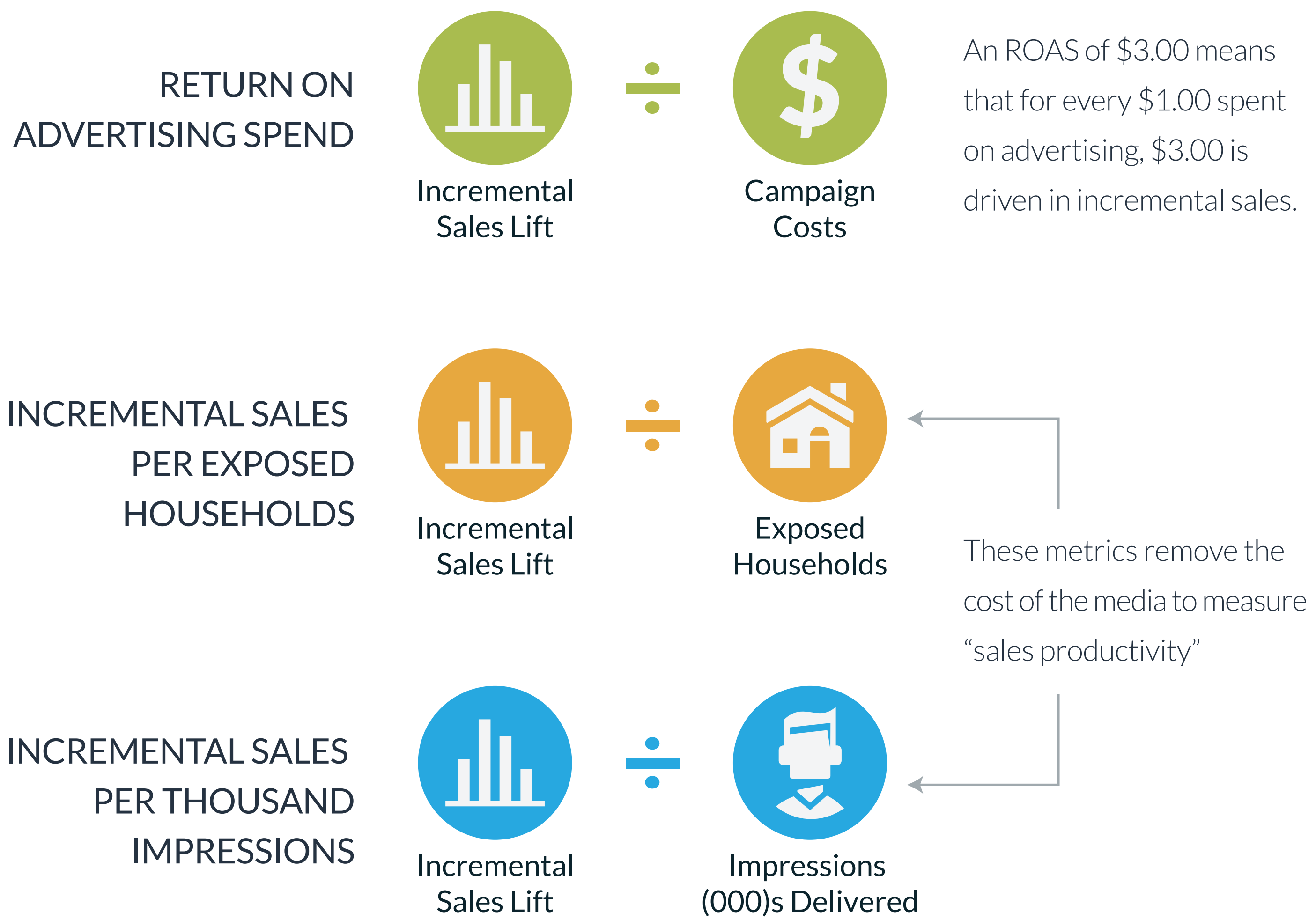
METRICS THAT MATTER

In this report, we looked at the following metrics to get a complete understanding of how advertising impacts sales.

Return on advertising spend (ROAS) measures the incremental sales lift driven by the advertising for the amount that was spent on the ads. This factors in the economics of the media. Unlike ROI, which accounts for margin, it's a pure advertising metric.

Incremental sales per household and **incremental sales per thousand impressions** remove the cost of the media, and are measures of the sales responsiveness without the economics of the media rolled in. These are "sales productivity" metrics.

How are these metrics calculated?

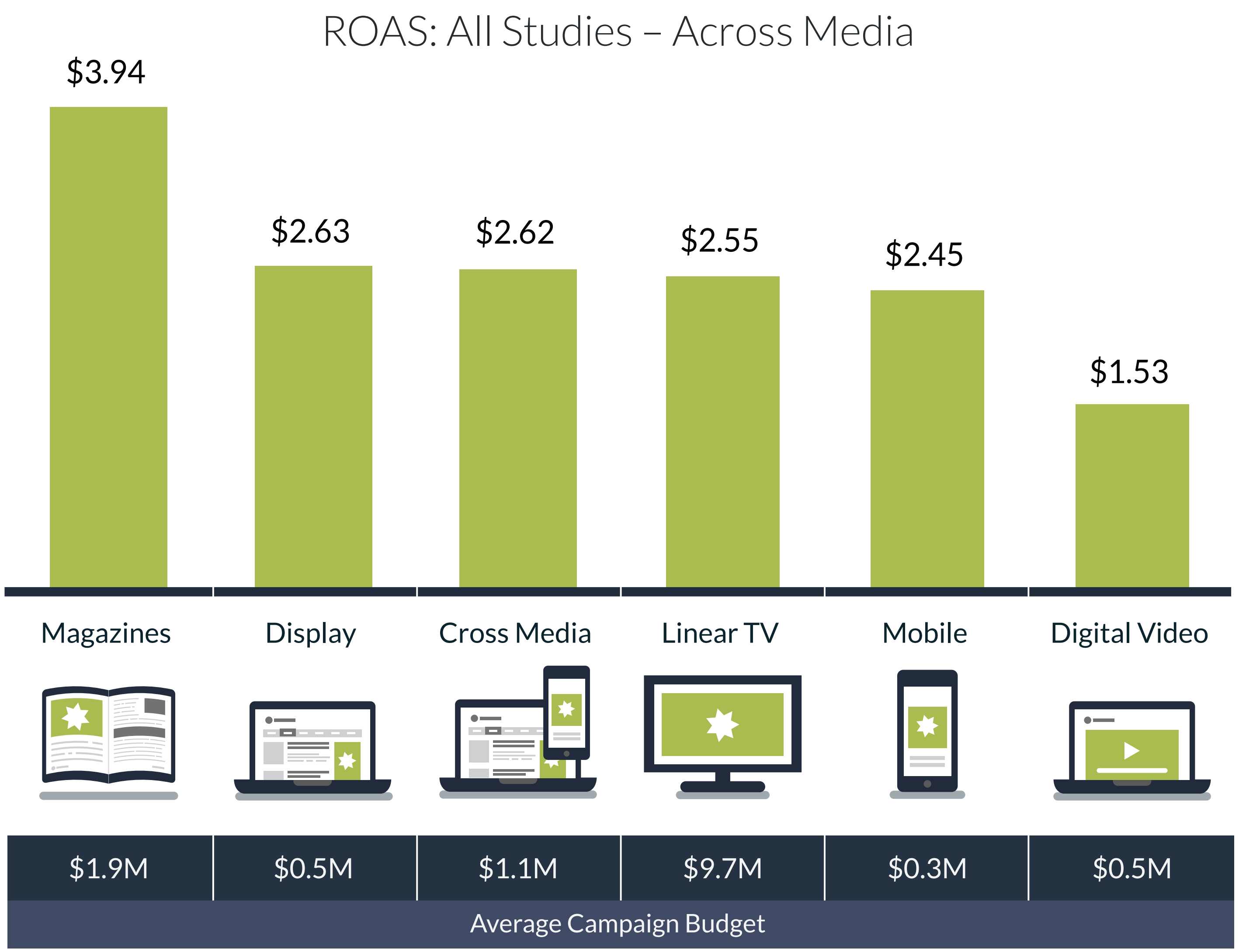


Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

AVERAGE ROAS ACROSS MEDIA

Over the past 10 years, the cost of media has changed. Digital video often commands premium pricing due to the limited inventory, while magazines have a more flexible supply and typically lower costs. Since the price of media is central to measuring ROAS, media cost has an impact on the results, and the impact varies greatly across medium. Looking at all studies across measured media types and categories; magazines have the highest ROAS of $3.94. The display advertising measured in this study is primarily from premium providers and it excludes programmatic inventory.

Cross media includes many combinations of two and in some cases, three different media types. While we see great value in the synergy for those exposed to multiple media also known as the “both” group in the only/only/both designation, the ROAS for cross media comes in the mid-range of $2.62 because this number includes all of the households exposed, not just the group exposed to both. The number of households for the “both” group is typically small and doesn't have a large impact on the total campaign results.



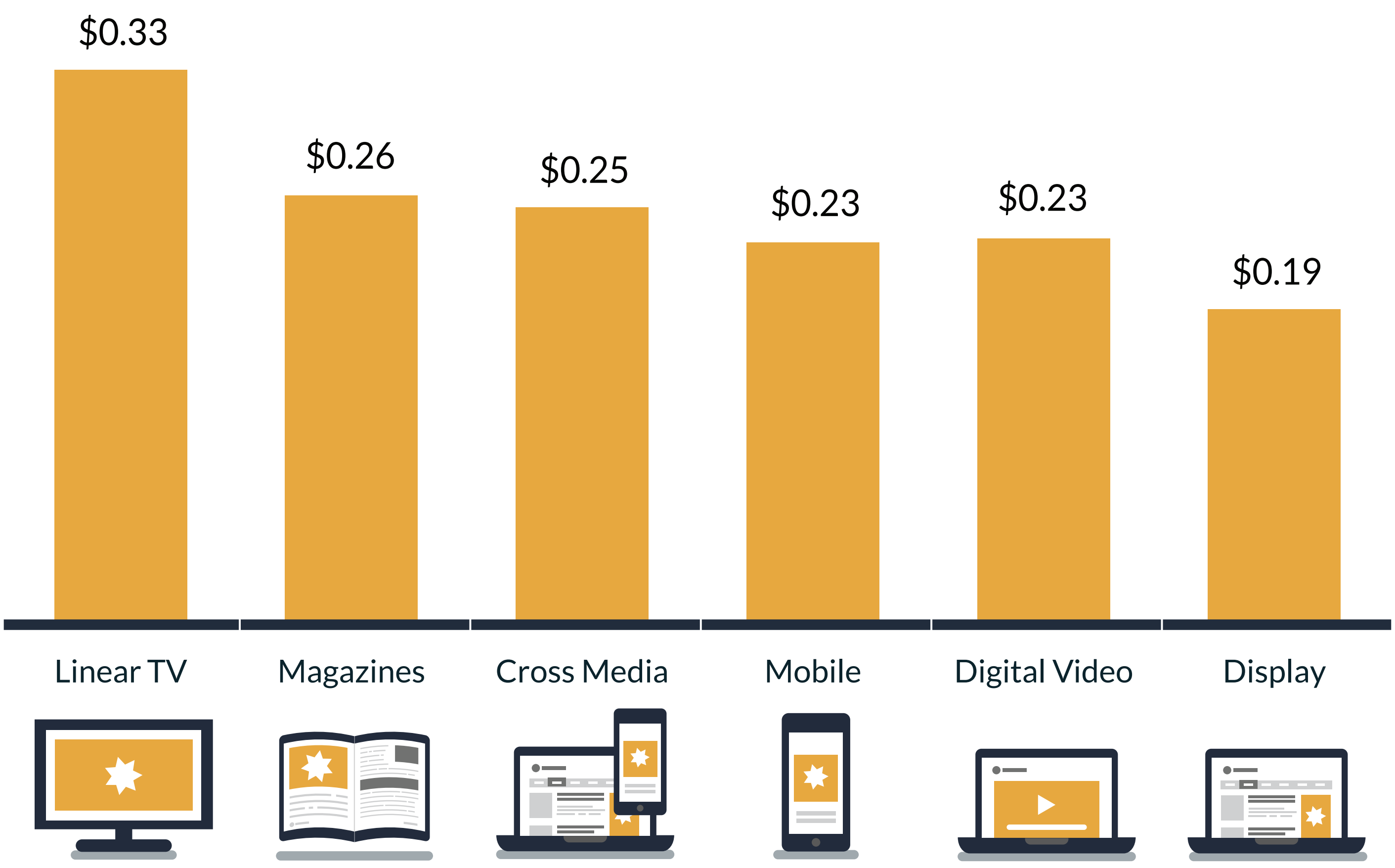
Above you can see the average campaign budget for each media. Interestingly, the ROAS of each media is not influenced by the size of the budgets. One would expect larger budgets to under-perform or to have lower ROAS due to scale, but this is not the case.

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

INCREMENTAL SALES PER EXPOSED HOUSEHOLDS

The pattern changes when the cost of media is removed and we only look at the incremental sales per reached household. Linear TV has the highest incremental sales at $0.33, followed by magazines, cross media, digital video and mobile, all of which are only separated by a few cents. Reach has an impact here, with linear TV delivering the highest average reach at 57%, followed by magazines at 25% and all other media between 3%-8%. It isn't surprising that TV delivers the highest incremental sales per reached household, likely because in addition to building reach, TV provides sight, sound and motion.

Incremental Sales per Exposed Household – Across Media



Linear TV	Magazines	Cross Media	Mobile	Digital Video	Display
57%	25%	8%	3%	3%	5%

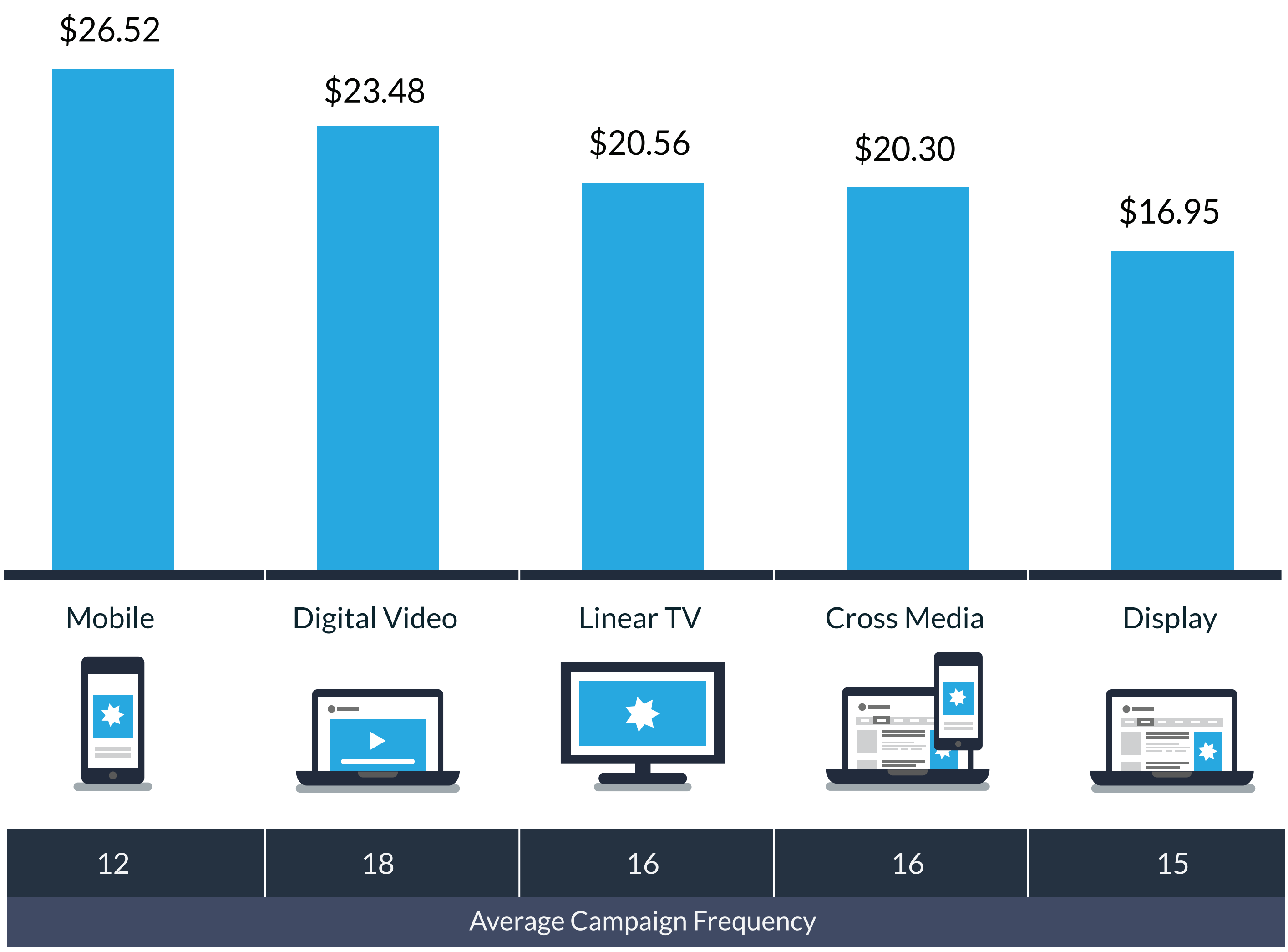
Average Campaign Reach

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

INCREMENTAL SALES PER 1,000 IMPRESSIONS

By removing the cost of media to look at the incremental sales per 1,000 impressions, mobile comes in with the highest return at $26.52 and digital video follows at $23.48. Mobile is producing very high sales results per impression, though it has had the lowest frequency across all media. This shows that marketers could have increased spend in mobile to get more frequency and reach and still continue to gain returns because they had not reached the point of diminishing returns. Note: Magazines are not included in this analysis since magazine impressions have not historically been included in the NCS database.

Incremental Sales per Thousand Impressions – Across Media



Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

ROAS: All Studies – Across Category

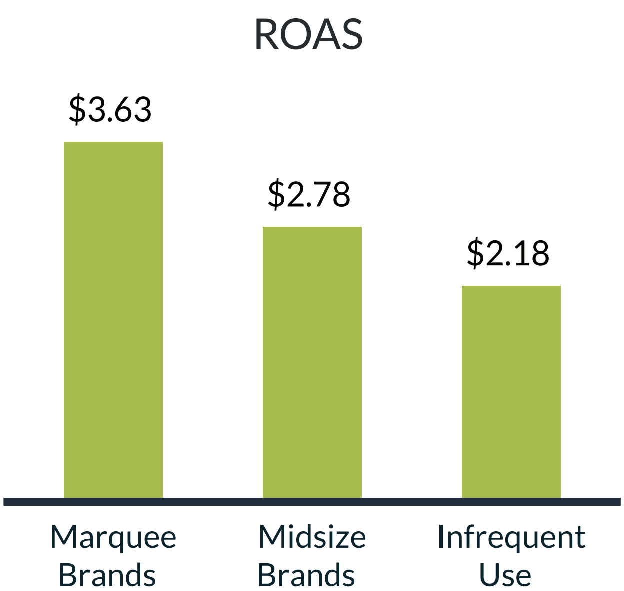
BENCHMARKS BY CPG CATEGORY

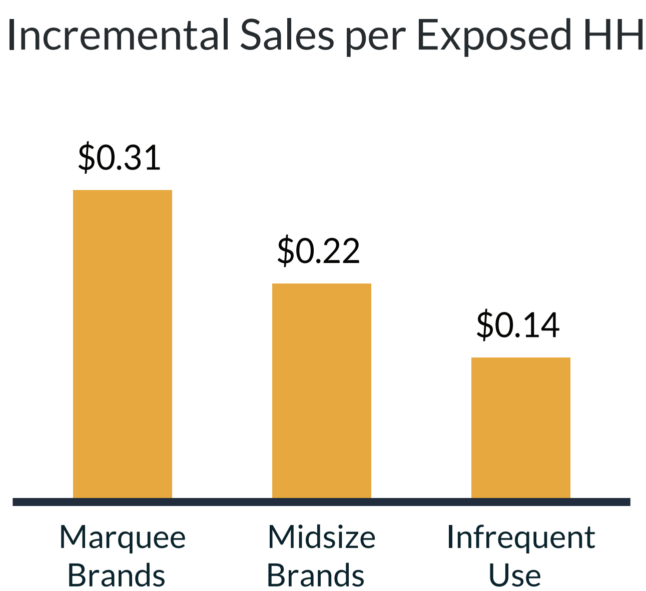
The specific CPG category is an important factor in determining how a brand's ROAS compares with its competitors. The average ROAS ranges from $2.59 to $3.71 across seven key categories. Many factors drive the range, including the price of an item and the length of the purchase cycle. Brands with a shorter purchase cycle and higher weekly dollar sales—like baby and pet products—consistently show higher return. Marketers can use this data to understand what returns to expect from their campaigns and which elements of their media plans are over- or underperforming.

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

BRAND CHARACTERISTICS MATTER

In addition to CPG category, incremental sales are influenced by the size, penetration and purchase cycle of the brand. Clustering brands into three natural groups, we can understand how brand characteristics impact return. Marquee brands have the highest average penetration and average brand share and the shortest purchase cycle. Infrequent Use brands have the lowest average penetration and brand share and the longest average purchase cycle. In the middle are Midsize brands. These three clusters were consistent within themselves in the levels of ROAS and incremental sales per exposed household generated. Marquee brands delivered substantially higher ROAS than midsize brands, which in turn, delivered substantially higher ROAS than Infrequent Use brands. Brands should be compared to others in the same cluster in addition to others in the same category. We see this same trend across all media studied. Thus, a small, infrequently purchased brand in a category with high ROAS, should expect lower incremental sales than the larger competitors.





	Marquee Brands Bigger Brands, shorter purchase cycle	**Mid-sized Brands**	**Infrequent Use** Smaller brands, longer purchase cycles, fixed level of purchasing across time
Average Penetration (1 year)	47%	15%	10%
Average Purchase Cycle (days)	69	71	96
Average Brand Share	31%	16%	11%

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

ROAS BY CREATIVE MESSAGE TYPE

Across our collection of measured CPG campaigns, several core creative categories provide insight into how messaging drives returns at the register. Promotional campaigns that include a reward, sweepstakes or coupon command the highest ROAS, and campaigns that feature use-case or recipes generate the lowest ROAS. The most successful campaigns are aligned with the right audience, carrying the campaign goal through the message and visuals to optimize relevance.

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

CONCLUSION

Every day, advertisers are under increasing pressure to prove campaign performance and answer the single most important question: "Did the campaign drive sales?" Since the CPG industry operates with thin margins, it is especially important that these brands invest their media dollars where they will drive the greatest financial outcomes.

How we classify media is changing. The boundaries are becoming more and more blurred. Is a magazine campaign that includes digital content considered a magazine campaign? A digital campaign? Or a cross-media campaign, as we qualified it for this report? And TV is often delivered across screens, so where do we draw the line? What is the impact of the recessionary years, and do the numbers change across time? (The answer to the last question is no, we didn't see the metrics change across years in a predictable pattern).

But in spite of these challenges, which we controlled for as much as possible in our study, advertisers can compare their work to these norms to see how they stack up, whether by creative type, product category, advertising medium or brand cluster.

However, averages are just that—averages. It's never been more important to know your numbers and use data and measurement to inform media decisions. Clearly there is no "best" medium, but rather, the strategy and message should drive the choice. And without good creative, no medium can be expected to perform well. But with the right creative, delivered based on data-driven inputs, marketers can create campaigns that will outperform these industry averages.

David Poltrack, Chief Research Officer, CBS Corporation, *"New data—like these benchmarks—is a step toward creating the most effective campaigns possible. While the report focuses on averages, the real story is in the range of ROAS and the dynamics of advertising return as campaigns increase in scale."*

Britta Cleveland, SVP, Research Solutions, Meredith Corporation, *"We know magazine advertising works, and now we have the numbers to see how it stacks up. This is why we were so supportive of the MPA: Association of Magazine Media's decision to launch an industry-wide sales guarantee program for advertisers who partner with them on large scale magazine ad-based programs."*

Jim Spaeth, Sequent Partners, *"Attribution measurement has become an essential skill for marketers' success. This is a complex task for the media and advertising industry. And companies like NCS are making huge advancements in this field for CPG brands."*

Alice K. Sylvester, Sequent Partners, *"NCS' metrics are laser-focused on the relationship between exposure to advertising and sales. They provide a uniquely precise view of advertising's actual impact on in-store sales. Now brands can understand how their returns compare across media and media tactics."*

Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

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For more information on how to measure the return on ad spend of your campaigns, contact NCS at **hello@ncsolutions.com.**

@NCSolutions